



Christopher T. Ulmer
Director of Operations

June 26, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2013 FCC Form 481

Dear Ms. Dortch:

ICORE Consulting, on behalf of Lackawaxen Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Christopher T. Ulmer". The signature is fluid and cursive, with the first and last names being more prominent.

Director of Operations

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

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Emmaus, PA 18049

Phone: (610) 928-3944
Fax: (610) 928-5036
www.icorellc.com

**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

Lackawaxen Telephone Company (“Company”) is a small, privately held rural local exchange company based in Pennsylvania. The Company requests confidential treatment of certain information being provided to the Commission in its 2017 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	ICORE Consulting, on behalf of the Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2013 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled “Rate of Return Carrier Additional Information ³ , which consists of the Company’s financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company (“USAC”) website as “Section 3005” in the downloadable version and as “Section 3000” in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Christopher Ulmer
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	culmer@icorellc.com
Form Type		54.313 and 54.422

REDACTED - FOR PUBLIC INSPECTION

[illegible]

(300) Unfulfilled Service Request Data Collection Form	
FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	

<010> Study Area Code	170177
<015> Study Area Name	LACKAWAXEN TELECOM
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035> Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<300> Unfulfilled service request (voice)	NA
<310> Detail on attempts (voice)	Name of Attached Document
<320> Unfulfilled service request (broadband)	NA
<330> Detail on attempts (broadband)	Name of Attached Document

(400) Number of Complaints per 1,000 customers Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACRAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations
Data Collection Form

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	170177PA610.pdf

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**(700) Price Offerings including Voice Rate Data
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

[illegible]

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<810>	Reporting Carrier	Lackawaxen Telecommunications Services Inc.
<811>	Holding Company	LTC Communications Inc.
<812>	Operating Company	Lackawaxen Telecommunications Services Inc.

[illegible]

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.

<922> Feasibility and sustainability planning;

<923> Marketing services in a culturally sensitive manner;

<924> Compliance with Rights of way processes

<925> Compliance with Land Use permitting requirements

<926> Compliance with Facilities Siting rules

<927> Compliance with Environmental Review processes

<928> Compliance with Cultural Preservation review processes

<929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

(1000) Voice and Broadband Service Rate Comparability

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1000>	Voice services rate comparability certification	Yes	
<1010>	Attach detailed description for voice services rate comparability compliance	170177PA1010.pdf	<div>Name of Attached Document</div> <div>Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau</div>
<1020>	Broadband comparability certification		
<1030>	Attach detailed description for broadband comparability compliance		<div>Name of Attached Document</div>

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1100>	Certify whether terrestrial backhaul options exist (Y/N)	<div>Yes</div>
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<1130>	Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).	<div></div>
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(1200) Terms and Condition for Lifeline Customers		FCC Form 481
Lifeline		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Collection Form		July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>170177PA1210.pdf</div>	Name of Attached Document
<1220>	Link to Public Website	HTTP	www.ltlis.net

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2005) Price Cap Carrier Additional Documentation		FCC Form 481	
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819	
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>		July 2013	
<010>	Study Area Code	170177	
<015>	Study Area Name	LACRAWAXEN TELECOM	
<020>	Program Year	2018	
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer	
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com	

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

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<2011>	3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.	
<2022>	Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.	
<2023>	The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.	
<2024A>	Round 2 Recipient of Incremental Support?	
<2024B>	Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.	Name of Attached Document Listing Required Information
<2025A>	Round 2 Recipient of Incremental Support?	
<2025B>	Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).	Name of Attached Document Listing Required Information
<2015>	2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)	

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Not Applicable - No Attachment Required	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(iii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	170177PA3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	170177
<015>	Study Area Name	LACRAMAXEN TELECOM
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

<010>	Study Area Code	170177
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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	170177
<015> Study Area Name	LACKAWAXEN TELECOM
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<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>ICORE Consulting, LLC</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	ICORE Consulting, LLC
Name of Reporting Carrier:	LACKAWAXEN TELECOM
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 06/28/2017
Printed name of Authorized Officer:	Deborah Szmyd
Title or position of Authorized Officer:	Secretary/Treasurer
Telephone number of Authorized Officer:	5706851096 ext.
Study Area Code of Reporting Carrier:	170177 Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	LACKAWAXEN TELECOM
Name of Authorized Agent Firm:	ICORE Consulting, LLC
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 06/28/2017
Name of Authorized Agent Employee:	Christopher Ulmer
Title or position of Authorized Agent or Employee of Agent	Director of Operations
Telephone number of Authorized Agent or Employee of Agent:	6109283903 ext.
Study Area Code of Reporting Carrier:	170177 Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

170177

LACKAWAXEN TELECOM

2018

Christopher Ulmer

6109283903 ext.

culmer@icorellc.com

1/1/2017	
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<702> Single State-wide Residential Local Service Charge

<703>

[illegible]

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

170177
LACKAWAXEN TELECOM
2018
Christopher Ulmer
6109283903 ext.
culmer@icorellc.com

Date	Time	Location	Weather	Wind	Temp	Humidity	Pressure	Visibility	Clouds	Precip	Remarks
10/10/2023	08:00	Miami	Sunny	SE 10	28°C	75%	1015 hPa	10 km	0%	0 mm	Clear
10/10/2023	12:00	Miami	Sunny	SE 15	32°C	70%	1014 hPa	10 km	0%	0 mm	Clear
10/10/2023	16:00	Miami	Partly Cloudy	SE 12	30°C	72%	1013 hPa	10 km	0%	0 mm	Clear
10/10/2023	20:00	Miami	Clear	SE 8	27°C	78%	1012 hPa	10 km	0%	0 mm	Clear
10/10/2023	24:00	Miami	Clear	SE 5	25°C	80%	1011 hPa	10 km	0%	0 mm	Clear
10/11/2023	06:00	Miami	Clear	SE 3	24°C	82%	1010 hPa	10 km	0%	0 mm	Clear
10/11/2023	10:00	Miami	Sunny	SE 10	29°C	75%	1014 hPa	10 km	0%	0 mm	Clear
10/11/2023	14:00	Miami	Sunny	SE 15	33°C	68%	1013 hPa	10 km	0%	0 mm	Clear
10/11/2023	18:00	Miami	Partly Cloudy	SE 10	30°C	70%	1012 hPa	10 km	0%	0 mm	Clear
10/11/2023	22:00	Miami	Clear	SE 5	27°C	75%	1011 hPa	10 km	0%	0 mm	Clear
10/11/2023	26:00	Miami	Clear	SE 3	25°C	78%	1010 hPa	10 km	0%	0 mm	Clear

**Lackawaxen Telecommunications
Services, Inc.**

Financial Statements

December 31, 2016 and 2015



BAKER TILLY

Candor. Insight. Results.

Lackawaxen Telecommunications Services, Inc.

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December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Lackawaxen Telecommunications Services, Inc.

We have audited the accompanying financial statements of Lackawaxen Telecommunications Services, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lackawaxen Telecommunications Services, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 20, 2017, on our consideration of Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Wyomissing, Pennsylvania
March 20, 2017

Lackawaxen Telecommunications Services, Inc.

Balance Sheets

December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents		
Accounts receivable:		
Due from subscribers and agents, less allowance for uncollectible accounts 2016 \$11,800 and 2015 \$9,712		
Due from affiliates		
Materials and supplies inventory, at average cost		
Prepaid expenses		
Prepaid income and other taxes		
Total current assets		
Investments and Other Assets		
Investments		
Cash surrender value of life insurance		
Nonregulated plant, at cost,		
net of accumulated depreciation		
Other		
Total investments and other assets		
Property and Equipment, Net		
In service		
Under construction		
Accumulated depreciation		
Total property and equipment		
Total assets		

See notes to financial statements

Lackawaxen Telecommunications Services, Inc.

Balance Sheets

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt		
Accounts payable		
Customers' deposits		
Deferred income taxes		
Total current liabilities		
Long-Term Debt, Net of Current Maturities		
Deferred Compensation		
Deferred Income Taxes		
Total liabilities		
Stockholders' Equity		
Common stock, par value \$2.50 per share; authorized 20,000 shares; issued 6,684 shares; outstanding 2016 6,087 shares; 2015 6,087 shares		
Paid-in capital		
Retained earnings		
Accumulated other comprehensive income		
Total stockholders' equity		
Total liabilities and stockholders' equity		

See notes to financial statements

Lackawaxen Telecommunications Services, Inc.

Statements of Comprehensive Income (Loss)

Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Local service		
Access service		
Toll service		
Miscellaneous		
Provision for doubtful accounts		
Total operating revenues		
Operating Expenses		
Plant specific		
Plant nonspecific:		
Depreciation		
Other		
Customer operations		
Corporate operations		
Operating taxes other than income		
(Benefit) provision for income taxes		
Total operating expenses		
(Loss) Income from operations		
Nonregulated and Other Income (Expense)		
Nonregulated:		
Revenues		
Expenses		
Other income, net		
Income tax expense		
Total nonregulated and other income		
(Loss) income before fixed charges		
Fixed Charges		
Interest on long-term debt		
Amortization of debt expense		
Total fixed charges		
Net (loss) income		
Other Comprehensive Income		
Net unrealized holding gains on investments arising during the period, net of tax		
Total comprehensive (loss) income		

See notes to financial statements

Lackawaxen Telecommunications Services, Inc.

Statements of Stockholders' Equity

Years Ended December 31, 2016 and 2015

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances, December 31, 2014					
Net income					
Other comprehensive income					
Balances, December 31, 2015					
Net loss					
Other comprehensive income					
Balances, December 31, 2016					

See notes to financial statements

Lackawaxen Telecommunications Services, Inc.

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Net (loss) income		
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization		
Provision for doubtful accounts		
Deferred compensation		
Deferred income tax benefit		
(Increase) decrease in assets:		
Accounts receivable		
Material and supplies inventory		
Prepaid expenses		
Prepaid income and other taxes		
Increase (decrease) in liabilities:		
Accounts payable		
Accrued expenses and customer deposits		
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Advances to affiliates		
Purchase of plant		
Plant removal costs		
Increase in cash surrender value of life insurance policies		
Net cash used in investing activities		
Cash Flows Used in Financing Activities		
Principal payments on long-term debt		
Net change in cash and cash equivalents		
Cash and Cash Equivalents, Beginning		
Cash and Cash Equivalents, Ending		
Supplementary Cash Flows Information		
Interest paid		
Income taxes paid		

See notes to financial statements

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

1. Principles of Consolidation and Nature of Business

The Company is an independent telephone utility providing communication services in parts of Pike and Wayne Counties, Pennsylvania.

The Company is a wholly owned subsidiary of Lackawaxen Telecom, Inc., a wholly-owned subsidiary of LTC Communications, Inc.

2. Significant Accounting Policies

Accounting and Rate Regulation

The Company is subject to the accounting principles of and rate regulation by the Pennsylvania Public Utility Commission.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues are recognized when services are provided. Access service and long distance service revenues are derived from access charges, toll rates and settlement arrangements. The Company records retroactive settlements as changes in revenues in the year the settlements become known in accordance with industry practice.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Company maintains its cash and cash equivalents in checking and money market accounts. These balances, from time to time, may exceed amounts insured by the Federal Deposit Insurance Corporation.

Accounts Receivable

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Investments

The Company has a portfolio of marketable equity securities. All securities are classified as available-for-sale. These securities are recorded at fair value based on quoted market prices and unrealized gains and losses, net of taxes, are reported as a component of other comprehensive income until realized. Realized gains and losses are determined using the specific-identification method.

Amortization of Deferred Debt Expense

Debt expense is deferred and amortized on the straight-line basis over the term of the related long-term debt.

Plant and Depreciation

Plant is recorded at cost. Normal renewals and betterments of units of property are charged to plant accounts, while ordinary repairs and replacements of items considered to be less than units of property are charged to plant specific expenses. The cost of plant retired, plus removal costs, less salvage is charged to accumulated depreciation. Accordingly, no gain or loss is recognized in connection with ordinary retirements.

Depreciation is computed by the straight-line method. Rates used for calculating depreciation are based on the economic useful lives of the assets. The effective composite depreciation rates for 2016 and 2015 were 3.0% and 2.8%, respectively.

Accounting for Impairment of Long-Lived Assets

The Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") *Topic 360, Property, Plant and Equipment*, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2016 and 2015, management of the Company believes that no write-down for such impairment was required related to its long-lived assets.

Income Taxes

The Company is included in the consolidated federal income tax return filed by LTC Communications, Inc. The Company's federal income tax expense is computed using the separate return method for intercorporate tax allocation.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is subject to federal income tax in the consolidated return filed by LTC Communications, Inc. and files a separate state income tax in Pennsylvania.

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Savings Plan

The Company has a contributory savings plan for substantially all employees. The Company contributes matching amounts for participating employees in accordance with the provisions of the plan. In addition, the Plan includes a profit sharing component. The Company made matching contributions of [REDACTED] to the plan in 2016 and 2015, respectively. The Company did not make any profit sharing contributions to the plan for 2016 or 2015.

Presentation of Sales Taxes

The Company collects sales tax from customers. The Company's accounting policy is to exclude the taxes collected and remitted to the state from revenues and operating expenses.

Debt Issuance Costs

Due to the FASB's issuance of Accounting Standards Update ("ASU") No. 2015-03 *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, the Company changed its method of presenting long-term debt issuance costs. Prior to the issuance of ASU No. 2015-03, the Company presented long-term debt issuance costs as an other asset in its balance sheets. As required by ASU No. 2015-03, the Company now presents long-term debt issuance costs as a direct reduction of its long-term debt liability. The effect of the required retrospective application of this change in presentation was to decrease the Company's debt issuance costs and long-term debt liability by approximately [REDACTED] as of December 31, 2015. ASU No. 2015-03 did not change the required presentation of debt issuance costs associated with line-of-credit financing arrangements, therefore, the Company continues to present debt issuance costs associated with line-of-credit financing arrangements as other assets in its balance sheet.

The Company amortizes long-term debt issuance costs to interest expense using the effective interest method and debt-issuance costs associated with line-of-credit financing arrangements to interest expense using the straight-line method over the terms of the associated line-of-credit financing arrangements.

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 20, 2017, the date these financial statements were available to be issued.

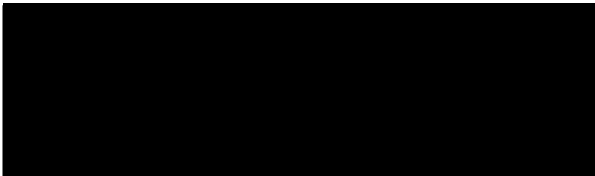
Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

3. Investment in Equity Securities

The following is a summary of the Company's investment in available-for-sale securities as of December 31, 2016 and 2015:

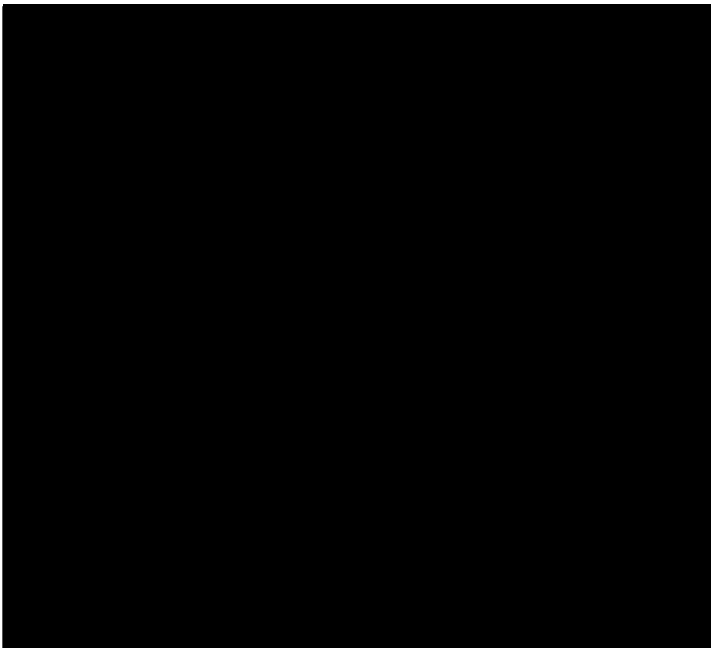
	<u>Cost</u>	<u>Gross Unrealized Gains (Losses)</u>	<u>Fair Value</u>
December 31, 2016 Equity securities			
December 31, 2015 Equity securities			

There were no purchases or sales of equity securities for the years ended December 31, 2016 and 2015.

Equity investments are comprised of investments in common stock whose value is determined by unadjusted quoted prices for identical securities in active markets (Level 1 of the fair value hierarchy). The Company had recorded unrealized holding losses at December 31, 2015 on one stock investment, which has been in a continuous unrealized loss position for more than twelve months. This investment was in an unrealized gain position at December 31, 2016.

4. Telephone Plant

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of December 31, 2016 and 2015:

	<u>Estimated Life (in years)</u>	<u>2016</u>	<u>2015</u>
Telephone plant:			
In service:			
Land			
Motor vehicles			
Other work equipment			
Buildings			
Furniture and office equipment			
Central office and other equipment			
Poles, cables and wire			
Other			
Under construction			
Accumulated depreciation			
Nonregulated telephone equipment			
Accumulated depreciation			

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

5. Long-Term Debt

Long-term debt is represented by mortgage notes payable to Rural Utilities Service ("RUS"), an agency of the United States of America at interest rates as shown below:

	2016	2015
RUS 2.15%		
RUS 0.94%		
RUS 0.60%		
RUS 0.85%		
Current maturities		
Deferred issuance cost		

The notes have maturities up to thirty-five years, and installments of approximately [REDACTED] including interest are due quarterly. The notes are scheduled to be repaid at various times from March 2017 to June 2021. All of the Company's assets are pledged as collateral on the notes. Estimated aggregate maturities during the next five years are 2016 [REDACTED]

At December 31, 2016, unadvanced loan funds of [REDACTED] were available to the Company on loan commitments from the Rural Utilities Service and the Rural Telephone Bank.

6. Capital Stock and Retained Earnings

The long-term debt agreements contain certain restrictions on the payment of dividends or redemption of capital stock. The restrictions are related in general to the Company's adjusted net worth and assets (as defined). At December 31, 2016, there was approximately [REDACTED] available for such purposes.

7. Income Tax Matters

Net deferred tax assets and liabilities consist of the following components as of December 31, 2016 and 2015:

	2016	2015
Deferred tax asset		
Valuation allowance		
Deferred tax liabilities		

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

The components giving rise to the net deferred tax liabilities described above have been included in the accompanying balance sheets as of December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Current liabilities		
Noncurrent liabilities		

Taxable temporary differences giving rise to deferred tax liabilities are related to telephone plant and deduction of certain prepaid expenses. Deductible temporary differences giving rise to deferred tax assets are related to unbilled revenue and deferred compensation.

The valuation allowance on deferred tax assets decreased [REDACTED] and increased [REDACTED] for the years ended December 31, 2016 and 2015, respectively.

The provision for income tax expense (benefits) for the years ended December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Federal:		
Current		
Deferred		
State:		
Current		
Deferred		

Income tax (benefit) expense is reflected in the accompanying statement of income as follows:

	<u>2016</u>	<u>2015</u>
Operating expense		
Nonregulated and other income		

In accordance with industry practice, the tax effect of interest expense is included with operating income tax expense.

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

The income tax provision differs from the amount of income tax determined by applying the statutory tax rates to pretax income for the years ended December 31, 2016 and 2015 due to the following:

	2016	2015
Statutory income tax expense		
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit		
Officers' life insurance		
Other, net		

Prepaid income taxes include [REDACTED] due to its parent for federal income taxes at December 31, 2016 and 2015, respectively.

8. Related Parties

The Company has a bill and collect arrangement with an affiliate. Revenues recognized under this agreement were [REDACTED] for the years ended December 31, 2016 and 2015, respectively. Additionally, [REDACTED] of access revenues were recognized as a result of services billed to the affiliate for the years ended December 31, 2016 and 2015, respectively.

The Company has recorded [REDACTED] expense related to services performed by LTC Communications, Inc. for the years ended December 31, 2016 and 2015, respectively.

9. Contingencies

There are various federal and state regulatory proceedings with the Federal Communications Commission, Pennsylvania Public Utility Commission and Commonwealth Court affecting the telecommunications industry. Some of these proceedings may have an effect on the Company in the future. The impact, if any, cannot be determined at this time. Adverse decisions in these proceedings, however, could have a material effect on operating results or cash flows in future periods.

Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

As of December 31, 2016 the Company has paid the Pennsylvania Department of Revenue (the "Department") assessments of [REDACTED] for additional gross receipts taxes for the years 2009 through 2013. This amount is reflected in prepaid and other income taxes on the December 31, 2016 and 2015 balance sheets. The Company has not paid the assessment for 2014 totaling \$ [REDACTED] and has not reflected this amount in the financial statements. The tax is assessed on telecommunications revenue previously reported by the Company as being exempt. The Company disagrees with the Department's position and has filed an appeal. The Company was successful in the first level of appeal for certain revenue for the years 2009 through 2011. The remaining assessment for 2009 through 2011 are currently under a third level of appeal and are currently awaiting fact development. Appeals for 2012 and 2013 have not yet been reviewed while 2014 has not been filed. The Company anticipates receiving assessments for 2015 through 2016 should it not prevail in its appeal. The Company is unable to determine the likelihood whether these amounts will be recovered and the results of future appeals could have a significant effect on the financial statements.

During the year ended December 31, 2016, the Company has incurred an assessment for 2016 and 2015 from the National Exchange Carrier Association ("NECA") of approximately [REDACTED] of which approximately [REDACTED] remains unpaid and included in accrued expenses at December 31, 2016. The company recorded this assessment as a decrease in access revenues in its December 31, 2016, consolidated financial statements. The assessment relates to classification of regulated and non-regulated activities for NECA cost reporting and reimbursement. The Company disagrees with NECA's classification of certain expenses and is in the process of appealing this assessment.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Directors
Lackawaxen Telecommunications Services, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lackawaxen Telecommunications Services, Inc., which comprise the balance sheet as of December 31, 2016, and the related statements of comprehensive income, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lackawaxen Telecommunications Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lackawaxen Telecommunications Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control which is described below that we consider to be a significant deficiency.

Evaluation of Loss Contingencies

The Company is involved in on going appeals with the Pennsylvania Department of Revenue ("PDOR") for assessments relating to the 2009 through 2013 Pennsylvania Gross Receipt Tax ("GRT"). A similar assessment was presented to the Company for 2014. The 2014 assessment has not yet been paid. The Company is in the process of appealing this assessment.

During 2016, the Company lost on its second round of appeals with the PDOR for the years of 2009 through 2010. A third level of appeal is currently in process. The appeals for 2011 through 2013 have not yet been heard. As a result of the lost appeal in 2016 and results of settlements the PDOR had with similar cases we proposed a passed audit adjustment to the financial statements estimating the potential loss the Company may incur. Management did not update its current estimate based upon the current events.

We suggest management continue to monitor current events for itself and other similar companies relating to the GRT appeals. Management should take into account all current events and ongoing consultations with its attorney. Documentation should be prepared to support management's conclusions of the potential recovery of these appeals.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lackawaxen Telecommunications Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wyomissing, Pennsylvania
March 20, 2017

